

**LEGISLATIVE FISCAL OFFICE
ANALYSIS OF BA-7 REQUEST
Approved By JLCB**

DEPARTMENT: Agriculture & Forestry

AGENDA NO.: 1

AGENCY: Agriculture & Forestry

ANALYST: Stephanie C. Blanchard

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Management & Finance	\$0	0
Interagency Transfers:	\$0	Marketing	\$0	0
Self-Generated Revenue:	\$0	Agricultural & Environmental Sciences	\$0	0
Statutory Dedications:	\$0	Animal Health & Food Safety Services	\$0	0
Federal Funds:	\$0	Agro-Consumer Services	\$0	0
		Forestry	\$0	0
Total	<u>\$0</u>	Total	<u>\$0</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to transfer \$1,456,929 from the Boll Weevil Fund to the Horticulture & Quarantine Fund within the Department of Agriculture & Forestry. This request transfers budget authority between funds and has no net effect on the bottom-line appropriation to the department. The department has amended rules and regulations to establish and collect a "maintenance inspection fee" under R.S. 3:1655 and eliminated the boll weevil eradication "assessment" authorized under R.S. 3:1615. The fee will replace and be in lieu of the assessment, but the amount will remain unchanged at \$6 per acre. All fees that fall under R.S. 3:1655 must be deposited into the Horticulture & Quarantine Fund.

In October 2013, the LA Supreme Court ruled in Krielow v. LA Department of Agriculture & Forestry that statutes allowing rice producers to levy an assessment on themselves was unconstitutional. After this ruling, the Department of Agriculture & Forestry questioned the constitutionality of the boll weevil assessment and adopted rules in August 2014 to eliminate the boll weevil eradication assessment and instituted the new maintenance inspection fee. This BA-7 moves fees collected per R.S. 3:1655 from the Boll Weevil Eradication Fund to the Horticulture & Quarantine Fund because they were not properly budgeted during the 2014 Legislative Session.

II. IMPACT ON FUTURE FISCAL YEARS

The \$6 per acre boll weevil eradication assessment that previously went into the Boll Weevil Eradication Fund in prior fiscal years will now be collected as a "maintenance inspection fee" and will be budgeted and deposited into the Horticulture & Quarantine Fund in FY 16 and thereafter.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.

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DEPARTMENT: Public Safety

AGENDA NO.: 2

AGENCY: State Police

ANALYST: Matthew LaBruyere

<u>Means of Financing</u>		<u>Expenditures by Program</u>		<u>T. O.</u>
State General Fund:	\$0	Traffic Enforcement	\$0	0
Interagency Transfers:	\$0	Criminal Investigation	\$0	0
Self-Generated Revenue:	(\$14,631,738)	Operational Support	\$0	0
Statutory Dedications:	\$14,631,738	Gaming Enforcement	\$0	0
Federal Funds:	\$0	Auxiliary Account	\$0	0
Total	<u>\$0</u>	Total	<u>\$0</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase statutorily dedicated funding from the Insurance Verification System Fund in the amount of \$14,631,738 and decrease SGR by a like amount. The Insurance Verification System Fund was created as a result of Act 641 of 2014. The Act provides for the creation of a real-time automotive liability insurance information database as well as increasing the fees for motorists that operate a vehicle without automotive liability insurance. In addition, the Act created the Insurance Verification System Fund that will receive the increased penalty amounts and will fund the Office of Motor Vehicles (OMV) real-time database, the State Police pay raise, sheriff's housing for parole violators, additional assistant district attorneys, and other public safety and law enforcement purposes.

During the 2014 Legislative Session, an amendment contingent upon the enactment of Act 641 was added to HB 1 that increased SGR authority within the Office of State Police by \$18 M. This amendment was to allow for pay raises for state police as a result of a new pay grid that was approved by the State Police Commission in January 2014. A total of \$14.6 M will be required to fund the pay increase for the remainder of FY 15. The increases would affect a total of 1,009 troopers. There are 1,014 total troopers but the ranks above Major are not eligible for the increase. The increases for salaries and related benefits for each program are detailed below:

Program	Salaries	Related Benefits	Total	No. of Eligible Troopers
Traffic Enforcement	\$5,638,701	\$4,033,170	\$9,671,871	702
Criminal Investigation	\$1,299,546	\$929,522	\$2,229,068	135
Operational Support	\$775,020	\$554,345	\$1,329,365	85
Gaming Enforcement	<u>\$817,036</u>	<u>\$584,398</u>	<u>\$1,401,434</u>	<u>87</u>
Total	\$8,530,303	\$6,101,435	\$14,631,738	1,009

Insurance Verification System Fund Collections

According to the Treasury, the Insurance System Verification Fund has collected \$14,327,809 as of 1/15/2015. On average the fund is collecting \$2.2 M per month. At this rate the fund would collect \$26.5 M for FY 15. This amount would cover the \$15.8 M (\$14.6 M pay raises + \$1.2 M real-time database) needed for FY 15. Based on the historical average of fees paid, the months of February and March account for 17.2% and 12.7% of total collections, and the other 10 months account for 70% of collections. To the extent collections follow the historical trend, the fund would collect \$35.7 M in FY 15 according to the department. The fund currently has \$1,181,921 budgeted, which is to be used for the creation of the real-time insurance database. The FY 15 Mid-Year Deficit Elimination Plan approved at the December 2014 JLCB meeting includes \$15 M in anticipated funds available from the Insurance Verification Fund. To the extent this resource was not part of the FY 15 deficit reduction plan, the fund would likely have sufficient resources to fund the pay raise over an extended period of time.

NOTE: The DOA noted that the \$15 M is additional revenue in excess of the amount needed for the state trooper pay grid increase. The monies in the fund are contingent upon recognition by the Revenue Estimating Conference.

Self-Generated Revenue Collections

The original penalty amounts for not having automotive liability insurance are still collected as SGR by OMV. Based on the first 6 months of collections since the increase in penalties went into effect, SGR collections are lower than the first 6 months of

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the previous 3 years. The total average collections for the first 6 months of 3 previous years was \$11.7 M. The total collections for July through December of FY 15 is \$8.3 M, a difference of \$3.4 M. On average \$560,000 less per month is being collected. Based on information received from the department, the number of notices sent for cancellation of insurance has not decreased and is above the historical average. As a result of the receipt of this information, collections appear to be down as a result of fines not being paid timely. According to the department, collections during the 3rd quarter are expected to be higher than the historical monthly average. The months of February and March historically have accounted for 30% of annual collections as mentioned above.

Note on Retirement

Beginning in FY 16, the salary increase alone will cost \$21 M which will result in payroll increasing from the FY 16 payroll estimate of \$55 M to \$76 M. With the FY 16 contribution rate of 66.7%, this increase would result in \$14 M more in employer contributions. The total increase for salaries and related benefits in FY 16 would be \$35 M (\$21 M salary increase + \$14 M benefits increase). Additionally, the legislative actuary states the contribution rate will increase from 66.7% to 72% due to the pay raise. This increase in the employer contribution rate will add \$4 M in costs, which equates to an employer contribution increase of \$18 M. This would result in a total FY 16 increase of \$39 M (\$21 M salary + \$14 M employer contribution + \$4 M additional employer contribution). Furthermore, the unfunded accrued liability (UAL) for the State Police Retirement System would increase by \$140 M based on analysis by the legislative actuary. It should be noted that the analysis was based solely on the pay increase and does not include other assumptions that may affect the calculations.

The increase in employer contributions is solely based on the pay raise and may be subject to change once other assumptions are factored in. Certain assumptions that will effect the employer contribution are as follows:

- 1.) Employer contribution variance as a result of the FY 15 rate currently being less than the PERSAC approved rate of 75%.
- 2.) The addition of new cadet classes in FY 14 and FY 15 along with the potential for additional classes in the out years.
- 3.) Investment gains that have not been recognized as part of the smoothing process.
- 4.) The behavior of troopers near retirement that may delay retirement to increase final average compensation.
- 5.) Benefits not being paid for up to 3 years as troopers remain employed.
- 6.) Investment returns.

The full impact of the pay raise will not be known until the next system valuation is complete. This valuation will take into account the assumptions listed above and additional assumptions the system accounts for.

II. IMPACT ON FUTURE FISCAL YEARS

The FY 15 increase is for less than half of the remaining fiscal year. Beginning in FY 16 the annual cost will be approximately \$34.5 M. To the extent the same number of state troopers remain in the same positions in the future years, the pay grid allows for a 3% increase for each year of service completed. The figures below include the 3% annual salary increase.

Fiscal Year	FY 16	FY 17	FY 18	FY 19	FY 20
Salaries & Related Benefits	\$34,584,102	\$35,621,625	\$36,690,274	\$37,790,982	\$38,924,711

NOTE: The amounts above may fluctuate based on the number troopers employed, promotions and completion of certain training. To the extent the fund does not receive enough collections to cover the increased costs of pay raises, an additional funding source will be needed to cover the pay raise increases in future fiscal years.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends disapproval of this BA-7 request. At this time the LFO cannot determine if the fund will receive sufficient revenue to continue funding the pay raise in the current and subsequent fiscal years. To the extent collections do not increase as expected, the fund may not be able to sustain the proposed pay raise increase in future fiscal years. However, based on analysis of current collections, a lower percentage raise would be sustainable in the current and subsequent fiscal years.

It should be noted that to the extent the \$15 M mentioned above was not part of the FY 15 deficit reduction plan, the fund would likely have sufficient resources to fund the pay raise.

To the extent Act 641 is successful in decreasing the number of motorists operating a vehicle without automotive liability insurance, collections into the Insurance Verification System Fund will decrease. In the event collections decrease to an amount lower than the cost of the annual salary increase, then the Office of State Police will require another funding

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mechanism or require additional state resources.

January 16, 2015

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Amended: Approved by JLCB**

DEPARTMENT: Public Safety

AGENDA NO.: 2

AGENCY: State Police

ANALYST: Matthew LaBruyere

<u>Means of Financing</u>		<u>Expenditures by Program</u>	<u>T. O.</u>	
State General Fund:	\$0	Traffic Enforcement	\$0	0
Interagency Transfers:	\$0	Criminal Investigation	\$0	0
Self-Generated Revenue:	(\$10,153,846)	Operational Support	\$0	0
Statutory Dedications:	\$10,153,846	Gaming Enforcement	\$0	0
Federal Funds:	\$0	Auxiliary Account	\$0	0
Total	<u>\$0</u>	Total	<u>\$0</u>	<u>0</u>

I. SUMMARY/COMMENTS

The purpose of this BA-7 request is to increase statutorily dedicated funding from the Insurance Verification System Fund in the amount of \$10,153,846 and decrease SGR by a like amount. The Insurance Verification System Fund was created as a result of Act 641 of 2014. The Act provides for the creation of a real-time automotive liability insurance information database as well as increasing the fees for motorists that operate a vehicle without automotive liability insurance. In addition, the Act created the Insurance Verification System Fund that will receive the increased penalty amounts and will fund the Office of Motor Vehicles (OMV) real-time database, the State Police pay raise, sheriff's housing for parole violators, additional assistant district attorneys, and other public safety and law enforcement purposes.

During the 2014 Legislative Session, an amendment contingent upon the enactment of Act 641 was added to HB 1 that increased SGR authority within the Office of State Police by \$18 M. This amendment was to allow for pay raises for state police as a result of a new pay grid that was approved by the State Police Commission in January 2014. A total of \$10.2 M will be required to fund the pay increase for the remainder of FY 15. The increases would affect a total of 1,009 troopers. There are 1,014 total troopers but the ranks above Major are not eligible for the increase. The increases for salaries and related benefits for each program are detailed below:

Program	Salaries	Related Benefits	Total	No. of Eligible Troopers
Traffic Enforcement	\$3,913,035	\$2,798,860	\$6,711,895	702
Criminal Investigation	\$901,834	\$645,051	\$1,546,885	135
Operational Support	\$537,833	\$384,693	\$922,526	85
Gaming Enforcement	<u>\$566,991</u>	<u>\$405,549</u>	<u>\$972,540</u>	<u>87</u>
Total	\$5,919,693	\$4,234,153	\$10,153,846	1,009

Insurance Verification System Fund Collections

According to the Treasury, the Insurance System Verification Fund has collected \$14,327,809 as of 1/15/2015. On average the fund is collecting \$2.2 M per month. At this rate the fund would collect \$26.5 M for FY 15. This amount would cover the \$11.4 M (\$10.2 M pay raises + \$1.2 M real-time database) needed for FY 15. Based on the historical average of fees paid, the months of February and March account for 17.2% and 12.7% of total collections, and the other 10 months account for 70% of collections. To the extent collections follow the historical trend, the fund would collect \$35.7 M in FY 15 according to the department. The fund currently has \$1,181,921 budgeted, which is to be used for the creation of the real-time insurance database. The FY 15 Mid-Year Deficit Elimination Plan approved at the December 2014 JLCB meeting includes \$15 M in anticipated funds available from the Insurance Verification Fund. To the extent this resource was not part of the FY 15 deficit reduction plan, the fund would likely have sufficient resources to fund the pay raise over an extended period of time.

NOTE: The DOA noted that the \$15 M is additional revenue in excess of the amount needed for the state trooper pay grid increase. The monies in the fund are contingent upon recognition by the Revenue Estimating Conference.

Self-Generated Revenue Collections

The original penalty amounts for not having automotive liability insurance are still collected as SGR by OMV. Based on the first 6 months of collections since the increase in penalties went into effect, SGR collections are lower than the first 6 months of

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the previous 3 years. The total average collections for the first 6 months of 3 previous years was \$11.7 M. The total collections for July through December of FY 15 is \$8.3 M, a difference of \$3.4 M. On average \$560,000 less per month is being collected. Based on information received from the department, the number of notices sent for cancellation of insurance has not decreased and is above the historical average. As a result of the receipt of this information, collections appear to be down as a result of fines not being paid timely. According to the department, collections during the 3rd quarter are expected to be higher than the historical monthly average. The months of February and March historically have accounted for 30% of annual collections as mentioned above.

Note on Retirement

Beginning in FY 16, the salary increase alone will cost \$21 M which will result in payroll increasing from the FY 16 payroll estimate of \$55 M to \$76 M. With the FY 16 contribution rate of 66.7%, this increase would result in \$14 M more in employer contributions. The total increase for salaries and related benefits in FY 16 would be \$24 M (\$14 M salary increase + \$10 M benefits increase). Additionally, the legislative actuary states the contribution rate will increase from 66.7% to 72% due to the pay raise. This increase in the employer contribution rate will add \$4 M in costs, which equates to an employer contribution increase of \$18 M. This would result in a total FY 16 increase of \$28 M (\$14 M salary + \$10 M employer contribution + \$4 M additional employer contribution). Furthermore, the unfunded accrued liability (UAL) for the State Police Retirement System would increase by \$140 M based on analysis by the legislative actuary. It should be noted that the analysis was based solely on the pay increase and does not include other assumptions that may affect the calculations.

The increase in employer contributions is solely based on the pay raise and may be subject to change once other assumptions are factored in. Certain assumptions that will effect the employer contribution are as follows:

- 1.) Employer contribution variance as a result of the FY 15 rate currently being less than the PERSAC approved rate of 75%.
- 2.) The addition of new cadet classes in FY 14 and FY 15 along with the potential for additional classes in the out years.
- 3.) Investment gains that have not been recognized as part of the smoothing process.
- 4.) The behavior of troopers near retirement that may delay retirement to increase final average compensation.
- 5.) Benefits not being paid for up to 3 years as troopers remain employed.
- 6.) Investment returns.

The full impact of the pay raise will not be known until the next system valuation is complete. This valuation will take into account the assumptions listed above and additional assumptions the system accounts for.

II. IMPACT ON FUTURE FISCAL YEARS

The FY 15 increase is for less than half of the remaining fiscal year. Beginning in FY 16 the annual cost will be approximately \$24 M. To the extent the same number of state troopers remain in the same positions in the future years, the pay grid allows for a 3% increase for each year of service completed. The figures below include the 3% annual salary increase.

Fiscal Year	FY 16	FY 17	FY 18	FY 19	FY 20
Salaries & Related Benefits	\$24,000,000	\$24,720,000	\$25,461,600	\$26,225,448	\$27,012,211

NOTE: The amounts above may fluctuate based on the number troopers employed, promotions and completion of certain training. To the extent the fund does not receive enough collections to cover the increased costs of pay raises, an additional funding source will be needed to cover the pay raise increases in future fiscal years.

III. LEGISLATIVE FISCAL OFFICE RECOMMENDATION

The Legislative Fiscal Office recommends approval of this BA-7 request.

It should be noted that to the extent collections do not increase as expected, the fund may not be able to sustain the proposed pay raise increase in future fiscal years. However, based on analysis of current collections, a lower percentage raise would be sustainable in the current and subsequent fiscal years.

It should be noted that to the extent the \$15 M mentioned above was not part of the FY 15 deficit reduction plan, the fund would likely have sufficient resources to fund the pay raise.

To the extent Act 641 is successful in decreasing the number of motorists operating a vehicle without automotive liability insurance, collections into the Insurance Verification System Fund will decrease. In the event collections decrease to an amount lower than the cost of the annual salary increase, then the Office of State Police will require another funding

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mechanism or require additional state resources.

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